

and so on in an endless chain of debt creation and the inflation of paper wealth. It was usually found when a bank failed that the securities could not be marketed for their face value and in many cases that there were no other available assets. The Bank Comptroller of Wisconsin reported as late as 1863 a list of fifteen failed banks whose notes he was redeeming at rates ranging from sixty cents to ninety-five and a half cents on the dollar.¹ The basis of redemption, however, was not coin, but United States Treasury notes, themselves depreciated about thirty per cent., so that it was necessary to multiply the one depreciation into the other to obtain the scanty proceeds in coin of Wisconsin notes based upon "securities." Free banking laws were passed in eastern States, but the system made little headway in those States against the established credit of the chartered banks.

One of the most dismal chapters in American banking history is that which records the creation and collapse of banks owned and managed by the States. The Federal Constitution sought to close the door against issues of the legal tender paper money, which had worked such havoc with prices and credit during the Revolutionary era, by the decree that no State should "emit bills of credit." The Supreme Court sustained the force of this prohibition in the case of *Craig vs. the State of Missouri* (4 Peters, 410), and decided that the certificates issued by the State and made receivable for salaries and taxes, even though not full legal tender, fell under the ban of the constitutional restriction. A different spirit ruled the court when the case of *Brisco vs. the Bank of the Commonwealth of Kentucky* was decided in 1837. Chief-Judge Marshall had just died, but Justice Story, who dissented from the majority decision, insisted that his dead associate had agreed with him, that the pending case could not be distinguished in principle from that of *Craig vs. Missouri*. The majority found a distinction in the fact that the bills in question were issued by a bank under

¹ *Report of the Secretary of the Treasury on Condition of the Banks at the Commencement 0/1863*, 204.